

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2019/2020

DMG5024 – MANAGEMENT ACCOUNTING 2

(For Diploma Students Only)

11 JUNE 2020
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 6 pages with 5 Questions only.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

Part A

Atlas Shoes Manufacturing Berhad is a company that manufactures sandals and sport shoes. Given are the production costs obtained for each batch; 10,000 pairs of Air Gear Sports, 5,000 pairs of G-Lex sandals and 5,000 pairs of sole for G-Lex sandals:

	Air Gear Sports (RM)	G-Lex Sandals (RM)	Sole for sandals* (RM)
Selling price (per pair)	250	30	-
Direct material	780,000	36,000	30,600
Direct labour	360,000	16,000	13,600
Variable manufacturing overhead	120,000	8,000	6,800

* One of the components of G-Lex Sandals.

Both productions use the same machine and are produced in the same factory. According to the factory manager, 70% of the total fixed manufacturing overhead costs are related to the production of Air Gear Sports and remaining are for production of G-Lex Sandals. Based on the latest budget report, the total fixed manufacturing costs was estimated for this year was RM150,000.

Based on a proposal report by R&D, Air Gear Sports can be modified to Zero Air Sports; in which, lighter and more comfortable. However, it is estimated to process further at additional cost at RM300,000 in variable costs and estimated to sell at RM300 per pair.

Due to the intense price competition in the market for G-Lex sandals, the company found a suitable supplier, Winner Shoes Industry that offers to sell high quality sole for G-Lex sandals at RM9 per pair.

Required

- (a) Assume that the company able to save 40% of its fixed manufacturing costs, provide your analysis and finding on whether the company will accept the offer from Winner Shoes Industry or otherwise. (9.5 marks)
- (b) If the CEO of Atlas Shoes Manufacturing Berhad plans to introduce Zero Air Sports into the market, prepare an analysis report on whether it is appropriate to sell Air Gear Sports or to process further. (6 marks)

PART B

Argomix Vegetation and Fruits Berhad is a plantation company located at Cameron Highlands. The company has six hectares of land that are used to plant seasonal vegetables and fruits. Based on the monthly water usage, normally 60% of the water

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was channeled to vegetables plantation and the remaining to fruits plantation. The Director of the company plans to allocate the water expenses between both plantations. The following are the water bills for month of January and February 2020.

Months	Water bills
January	RM3,500
February	Increased by 25% compared to previous month

Required

- (a) Based on the information given, allocate the water bill expenses for the month of February using stand-alone method. (2 marks)
- (b) Assume that the amount of water used for fruits plantation in January is the same as in February, allocate the water bill expenses for the month of February using incremental method assuming that the water was channeled to fruits plantation first and later to vegetables plantation. (2.5 marks)

(Total: 20 marks)

QUESTION 2

Part A

Soft Fun Manufacturing Berhad manufactures various types of stuffed toys. The operating manager of the company asked the accounts manager to draft the production plan for the month of April and May based on the estimated sales for the first half of the year 2020.

Months	January	February	March	April	May	June
Estimated sales (in units)	5,000	5,500	6,000	March + 10%	April + 15%	9100

The followings are the requirements set by the production manager to ensure that the production flow smoothly:

- (a) The finished toys stored in the warehouse on 31 March 2020 was 1,320 units.
- (b) Each stuffed toys requires 250 grams of polyester and the polyester was estimated to sell at average cost of RM10 per kilogram.
- (c) Based on the company's policy, 20% of its finished goods were maintain at the end of each month for the next month's anticipated sales.

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- (d) Minimum 500 kilograms of raw materials were maintained at the end of each month for the next month's production.
- (e) 9,500 units are expected to be sold for the month of July 2020.

Required

- (a) If you are the accounts manager assigned to prepare the budget schedule, prepare the production budget for the second quarter of year 2020. (10.5 marks)
- (b) Referring to your answer in (a), prepare the budget schedule for cost of direct material purchased for the month of May 2020. (4.5 marks)
- (c) Prepare the sales budget for the second quarter of year 2020 assuming that the sales price per unit in April is RM30 and increased by 10% in May and maintain in June. (5 marks)

(Total: 20 marks)

QUESTION 3

Modern Furniergo Industries Berhad is a company that manufactures modern ergonomic furniture. The new appointed managing director of the company, Mr. Brian decides to change the costing method applied because he believes that the product costs computed are inaccurate if the company continues to apply the traditional approach in allocating its estimated overhead manufacturing costs based on direct labour hours. The following are the details of two of the company's most sellable furniture models for the month of December 2019.

Model no.	Direct materials	Direct labours	Number of parts	Number of supervisions	Number of inspections	Units completed
X-100	RM14,800	RM6,900	400	25	40	1,000
Y-300	RM17,200	RM5,600	800	50	32	2,000

Mr. Brian decides to implement ABC costing approach in 2020 and the accounting unit assigned by Mr. Brian has provided the details on the types of manufacturing overhead costs expected to be incurred in January 2020 based on estimated percentage as shown below:

Types of overhead	Percentage (%)
Assembling parts	60
Supervisor salary	30
Quality inspection costs	10

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Required

- (a) In your opinion, do you agree that product costs computed using traditional costing approach are inaccurate. Provide any **ONE (1)** reason on why there are companies applied ABC costing approach. (2 marks)
- (b) If the total overhead cost and labour hours for the month of January 2020 are estimated to incur at RM360,000 and 18,000 labour hours, compute the predetermined overhead rate using traditional method. (1.5 marks)
- (c) Based on estimated overhead cost, prepare a schedule to compute the activity based overhead rates assuming that the cost drivers remain the same as in December 2019. (7.5 marks)
- (d) Compute the product costs for each unit of model X-100 using traditional and ABC costing approach. Assume the total direct labour hours for X-100 are 6,900 hours. (9 marks)

(Total: 20 marks)

QUESTION 4

Part A

Best Drivers Schools Bhd. is a private licensed company that provide driving lessons. For each driving class, the company provides driving manuals and writing examination kits, driving class facilities and professional drivers to the students. The company had invested RM3 million in building the classrooms and each class can accommodate 200 students per session and RM2 million on the facilities. The Director expects 20% return of its investments and anticipated 1,000 sessions for each year. The total expected costs to be incurred are as follows for driving lessons:

Per session	RM
Direct material (books, exam kits, etc.)	10,000
Labours costs (taught by professional drivers)	6,000
Variable expenses:	
- Manufacturing overhead	3,500
- Selling and administrative expenses	2,500
Fixed:	
- Manufacturing overhead	6,800
- Selling and administrative expenses	8,000

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Required

- (a) Compute the desired profit for each session. (1.5 marks)
- (b) Assume that each session has consistent 200 students attending each class, compute the driving fee charged to each student that attend the driving class. (5.5 marks)

Part B

Juicey Fruits Sdn. Bhd. is a company that produce and sell variety types of fruit juices. The operating director of the company decides to process further 30% of the company's two high sellable juices produced; the Orange Delight and Strawberry Fizzy in year 2020. At the end of March, the company produced 67,500 liters of Orange Delight and 74,400 liters of Strawberry Fizzy juices. Both juices will be processed further into Milky Orange Crunch and Milky Strawberry Flush and the total joint costs incur are amounted to RM217,500.

Given are the details on Milky Orange Crunch and Milky Strawberry Flush produced in the month of March 2020:

	Milky Orange Crunch	Milky Strawberry Flush
Production (liter)	67,500	74,400
Sales (liters)	54,500	59,520
Selling price (RM per liter)	1.90	2.00
Separable costs (RM)	11,000	13,000

Required

- (a) Compute the Juicey Fruits Sdn. Bhd.'s joint costs if the company allocates using physical measure method for Orange Delight and Strawberry Fizzy juices. (7 marks)
- (b) Compute the gross margin for Milky Strawberry Flush that were sold after further processing. (6 marks)

(Total: 20 marks)

QUESTION 5

Genuine Buttons Manufacturing Berhad is a company that produce buttons. Below is a variance report prepared by the accounting unit relates to the labour costs incurred on the whole productions for the month of May 2020.

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**Genuine Buttons Manufacturing Berhad
Variance Report – Factory Wages**

Types of buttons	Actual labour hours	Actual rate per hour (RM)	Standard rate per hour (RM)	Labour price variance (RM)
Button M	X	1.50	1.60	500.00 (F)
Button N	6,800	1.90	1.80	Y
Button Q	4,250	0.75	T	637.50 (F)
Button P	3,600	Z	0.80	900.00 (U)

During the month of May 2020, 5,400 buttons Q were sold at the total of RM32,400 as reported by the sales department. The accounts manager of Genuine Buttons Manufacturing Berhad was compiling all the variance reports obtained from both purchasing and expenditure department. According to the expenditure department, the total cost of button Q sold were RM21,600 as computed based on standard costs and the total overhead variance for button Q was RM1,200 unfavourable.

Required

- (a) Based on the information provided, compute X, Y, T and Z. (6.5 marks)
- (b) If the standard hour for Button Q is 4,000 labour hours, compute the labour quantity variances for button Q. (2 marks)
- (c) The details provided by the purchasing department of Genuine Buttons Manufacturing Berhad below are the raw material used to produce Button Q in May:

Actual quantity purchased and used (in kg)	21,350
Actual price per kg (RM)	1.20
Standard quantity used to produce Button Q (in kg)	21,000
Standard price per kg (RM)	1.30

Compute the material price and quantity variances for Button Q. (4 marks)

- (d) Prepare the Statement of Comprehensive Income for Button Q as interim report for the month ended on 31 May 2020 based on the details obtained after compiling all the variance reports from various departments and compute the actual gross profit. (5.5 marks)

- (e)

“Ideal standards represent optimum levels of performance under perfect operating conditions.”

Briefly explain the reasons on why a company should sets its operating costs at normal level instead of ideal in setting a standard cost as benchmark. (2 marks)

(Total: 20 marks)

End of Paper